

Q & A ON TOPIC:

COMMERCIAL AUCTIONS



Joe Jackson of Metrolina Capital Advisors tells us how auctions can benefit buyers, sellers and brokers alike.

By Lindsey Walker Marcec

In today's market, more and more buyers are turning to auctions as a way to sell their properties. *Carolinas Commercial Properties* recently spoke with Joe Jackson, managing partner with Concord, North Carolina-based Metrolina Capital Advisors, to find out what it is about auctions that is gaining appeal in the commercial real estate industry.

CCP: How has the auction industry (particularly with regards to commercial properties) been affected by the downturn?

Jackson: We have seen a significant increase in demand for the services that we provide. Auctions in this market are proving to generate a high inquiry volume primarily due to two factors, which are as follows: 1) a perceived opportunity to buy at a value price, and 2) the deadline of an auction brings fence sitters off the sideline.

CCP: Have you seen an increase in commercial auctions as property owners are defaulting on their loans?

Jackson: Yes, we have programs for both private seller pre-foreclosure situations and REO lender-owned properties.

CCP: What are the advantages of bidding for a distressed property?

Jackson: All buyers are on a level playing field, as everyone is making an offer with the same terms. It is the most fair way to give buyers the opportunity to buy at their best price. The seller is also able to compare apples to apples and not be confused with various timelines for due diligence, closing dates and financing contingencies.

CCP: What types of commercial properties are you selling the most at auctions?

Jackson: These days we are getting asked for help with a lot of vacant land and building lots. These are the most difficult types of real estate to sell. We are selling all types of commercial properties. We are seeing the smallest discount (if any) from par on income-producing properties. Our platform has a 83.7 percent success rate (with success rate being defined as a successfully closed contract within 90 days). Quite frankly, the high success rate we experience is because we do not agree to provide services for everyone that asks. We only agree to provide services where we think we bring a significant opportunity for a successful solution.

CCP: Why should a potential buyer choose to come to an auction to buy a commercial property rather than take the traditional route?

Jackson: It is much easier to buy at auction because most, if not all, of the due diligence is done for the buyer prior to the

auction. With an accelerated marketing program, we strive to answer all the potential buyer's questions before the auction event. We always encourage broker participation. We request that the buyer's brokers register at least 24 hours prior to the auction event and reward those brokers with handsome broker fees. We also provide brokers with referral fees for referring an accelerated marketing opportunity to us. We have had programs where the broker was rewarded for both the auction referral and the buyer's side of the transaction in the same deal.

“*It is much easier to buy at an auction because most, if not all, of the due diligence is done for the buyer prior to the auction. With an accelerated marketing program, we strive to answer all the potential buyer's questions before the auction event.*”

— Joe Jackson

We have had brokers refer a listing to us for help when they realize that their seller is getting ready to “hit the wall” and they find out that a foreclosure wipes out the listing agreement. Often times we can meet with the bank and demonstrate that an accelerated marketing solution has been agreed to and the lender will “take their foot off the gas” on the foreclosure proceedings. Our process, with its intensive seven-channel marketing program, is so much better than the traditional foreclosure because the lender's trustee, or usually the substitute trustee, will only do the minimum statutory requirements of placing a small ad in the legal paper and a notice on the bulletin board in the court house. Less marketing equals fewer bidders and results in less competition and generally lower outcomes on the asset's value. It is really heartbreaking to see sellers lose not only their equity, but to still end up with a big deficiency and potential for a judgment against them.

— Joe Jackson is managing partner with Metrolina Capital Advisors LLC in Concord, North Carolina.